STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF LIMITED-SCOPE EXAMINATION

of

SILAC INSURANCE COMPANY

of

Salt Lake City, Utah

As of

December 31, 2019

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SALUTATION

September 30, 2020

Honorable Tanji J. Northrup, Interim Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Commissioner:

In accordance with Utah Code § 31A-2-203, a limited-scope examination as of December 31, 2019, has been made of:

SILAC INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as the "Company", and the following report of examination is respectfully submitted.

COMPANY BACKGROUND

Equitable Mutual Life Insurance Company of Utah was founded by the Ross family and incorporated on June 6, 1935 under the laws of the state of Utah as a mutual benefit assessment association. The Company changed its name to Equitable Life & Casualty Insurance Company on May 18, 1938. The Company converted to a capital stock company on May 20, 1946. The Company was directly owned by Insurance Investment Company ("IIC"). Pursuant to a Plan of Merger filed on February 10, 2017, by SILAC, Inc., IIC changed its name to Equitable Family Insurance Group, Inc.

Effective May 19, 2020, the Company changed its name from Equitable Life & Casualty Insurance Company to SILAC Insurance Company. The Company currently writes in all states and the District of Columbia except: California, Minnesota, New Jersey and New York.

In June 2019, the Company launched a fixed indexed annuity product to complement its existing multi-year guaranteed annuity product. On March 1, 2019, the Company ceased selling the final expense life insurance product known as the Heritage Protector policy. The Company continues to administer this block of policies. Effective September 1, 2019, the Company ceased selling hospital indemnity insurance, but continues to administer this block of policies.

In 2010 the Company ceased selling long-term care policies. Because the long-term care line of business was a significant part of its past operations, the Company maintains a significant block of long-term care policies issued through 2010.

SCOPE OF EXAMINATION

The last full scope examination of the Company was as of December 31, 2017. This limited-scope examination, as of December 31, 2019, was conducted by the representatives of the Utah Insurance Department ("Department") to address some concerns related to the Company's long-term care product liabilities.

The examination covered only the assumptions underlying the Company's stand-alone asset adequacy analysis of the long-term care liabilities and is not intended to communicate all matters of importance for an understanding of the Company's financial condition.

Examination reviewed the following areas:

- Assumptions regarding future rate increases for the existing blocks of long-term care policies;
- Lapse, mortality, claim incidence, claim terminations, and utilization assumptions underlying long-term care cash flow projections; and
- Reconciliation of the information provided to the NAIC in the 2018 and 2019 AG 51 reports.

PROCEDURES PERFORMED

The Department requested and reviewed detailed information regarding rate increases previously approved by each jurisdiction, rate increases that were or are to be requested in each jurisdiction, and the amounts expected to be approved.

The Department requested and reviewed the Company's most recent experience studies. These studies covered lapse, mortality, claim incidence, claim terminations, and utilization.

The Department requested clarifications regarding any perceived discrepancies between the 2018 and 2019 AG 51 reports, and reviewed the Company's responses.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The Department concluded that, overall, future rate increase assumption used by the Company was reasonable but recommended that in the future the assumption be supported by a more detailed state-by-state analysis.

Additionally lapse, mortality, claim incidence, claim terminations, and utilization assumptions were reasonable but recommended that in the future the assumptions include explicit and quantifiable margins for adverse experience.

The Department was satisfied with the Company's explanation regarding the identified discrepancies between the 2018 and 2019 AG 51 reports. The Company agreed with all of the Department's findings and recommendation and will make appropriate changes to its current practices regarding the long-term care liability reserve.

ACKNOWLEDGEMENT

Tomasz Serbinowski, FSA, MAAA, Actuary, Utah Insurance Department, performed the limited-scope review of the Company's long-term care product liabilities. He joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Malis Rasmussen, MSA, CFE, SPIR
Chief Financial Examiner
Utah Insurance Department